Perceived Institutional Support and Small Venture Performance: The Mediating Role of Entrepreneurial Persistence

Abstract

This article examines the entrepreneurial persistence of opportunity-motivated entrepreneurs in Ghana. Specifically, it develops a theoretical model focusing on the relationships among perceived institutional support, entrepreneurial persistence and small venture performance, including how entrepreneurial networks condition the relationship between institutional support and entrepreneurial persistence. Using time-lagged data from 373 opportunity-motivated entrepreneurs leading small ventures in Ghana, we find broad support for our hypotheses. The insights from our study provide an integrative understanding of the relationships among perceived institutional support, entrepreneurial persistence and venture performance in an adverse environment. Theoretical and practical implications are discussed.

Keywords: entrepreneurial persistence, networks, SMEs, performance

Introduction

Entrepreneurial persistence (EP), described as "behaviour that involves goal-directed energy (Seo, Barrett, and Bartunek, 2004; Wu, Matthews, and Dagher, 2007), where the goal involved is success of the entrepreneurial venture" (Cardon and Kirk, 2015: 1030), is subject to increasing interest within the entrepreneurship literature. This research stream has emphasised that EP enables entrepreneurs to overcome obstacles they encounter in the entrepreneurial process and move their ventures forward (Davidsson and Gordon, 2016; Meek and Williams, 2018). Scholars have examined the influence of various individual, firm and environmental factors on EP (Adomako, Danso, Uddin, and Damoah, 2016; Lomberg, Thiel, and Steffens, 2019) and highlighted its positive impact on venture growth (Baum and Locke, 2004) and survival (Acheampong, 2018; DeTienne, Shepherd, and Castro, 2008). For example, utilising insight from the literature on risk and decision making (Kahneman and Tversky, 1979; March and Shapira, 1987), DeTienne and colleagues (2008) find entrepreneurs of underperforming firms are more likely to persist in a high-munificence environment than in a low one. Similarly, Holland and Shepherd (2013) find entrepreneurs are less likely to persist in a context of high adversity. Utilising an expectancy theory framework, Holland and Garrett (2015) examine entrepreneur decisions to persist with their ventures; ths suggests they are more likely to persist when they perceive a high likelihood of obtaining positive financial and non-financial outcomes. Simply put, the extant literature implies that a favourable external environment provides fecund

opportunities to succeed, and this increases the tendencies of entrepreneurs to persist with their ventures.

While existing evidence broadly suggests that supportive institutional environments enable entrepreneurial activities (Aidis, Estrin, and Mickiewicz, 2008; Hunt, 2015) and improve firm performance (Baum and Oliver, 1991; Li and Zhang, 2007), it provides limited insights on how these factors influence opportunity-motivated entrepreneurs (OMEs) operating in historically adverse conditions. Compared to necessity-motivated entrepreneurs (NMEs), OMEs may have other opportunities available and might find these more attractive than persisting with their ventures in adverse conditions. Indeed, certain external factors affect OMEs and NMEs differentially (McMullen, Bagby, and Palich, 2008). As OMEs play a vital role in developing and growing the economy, it is crucial to gain a better understanding of how their perception of the institutional environment influences their EP, and consequently, venture outcomes.

Although perceived institutional support (PIS) could trigger OMEs to act and persist with entrepreneurial activities, this is more likely to occur when entrepreneurs are embedded in networks of relationships. These networks not only provide specific resources but also establish reciprocal dependency relationships and support (Hite, 2005; Sullivan and Ford, 2014). However, such networks shift from calculative to affective over time (Jack, Moult, Anderson and Dodd, 2010) with varying impacts on firm outcomes (Acheampong, Narteh, and Rand, 2017). We therefore, argue that it is pertinent to examine the moderating effects of both social and business networks on the relationship between PIS and EP.

We test our model using a sample of 373 small ventures in different stages of development located in Ghana, a developing African country. The institutional environment for entrepreneurs in less developed countries differs significantly from that of more developed countries (Fainshmidt, Judge, Aguilera, and Smith, 2018; Lafuente, Szerb, and Acs, 2016). Such environments offer limited alternate employment opportunities and lack institutions supporting entrepreneurship such as those available in developed countries whilst a dearth of support agencies limits business assistance and industry-related information (Ladzani and Van Vuuren, 2002; Mamman, Bawole, Agbebi, and Alhassan, 2019). For instance, Ghana is historically a factor-driven economy with high unemployment over the years (approximately 7%)[1]. Not

[1] https://www.theglobaleconomy.com/Ghana/Unemployment_rate/, last accessed on 4 June, 2019

surprisingly, Ghanaians are actively involved in entrepreneurial activities despite the adverse conditions with many operating as NMEs[2].

This article makes three contributions to the entrepreneurship literature. First, we examine relationships which have so far, received limited attention; giving a clearer perspective on the antecedents and outcomes of EP and generating insights into the mediating effect of EP on the relationship between PIS and small venture performance (SVP). Second, we find entrepreneurial networking to moderate the PIS–EP relationship. The third contribution relates to our study sample—OMEs in adverse environments acknowledging that context is vitally important in entrepreneurship theory building (Zahra, 2007). Entrepreneurship in less developed economies, particularly those from the continent of Africa, remains under-researched. The overwhelming focus on developed countries (e.g., US, UK, Canada) calls into question the generalisability of entrepreneurship findings and theories. We take a step toward addressing this issue.

Our article proceeds as follows. In the next section, we develop a theoretical model focusing on the relationships among PIS, EP and SVP, including the moderating effects of entrepreneurial networks. A section describing the research methodology and findings follows. Finally, we discuss the theoretical and practical implications, limitations, and future research opportunities.

Theoretical framework and hypotheses

As depicted in Figure 1, we examine the moderated–mediated relationship between PIS and SVP; drawing from analyses of institutional theory to argue that OMEs who perceive higher institutional support are more likely to consider EP as conducive environments that reinforce the benefits of persistence to exploit the opportunity. PIS affects OME cognition and behaviour (Aragon-Mendoza, del Val, and Roig-Dobón, 2016; Lim, Morse, Mitchell, and Seawright, 2010), which improves SVP. Specifically, EP mediates the relationship between PIS and SVP, where greater PIS leads to higher EP that positively affects SVP. Building on the entrepreneurial networking literature (for reviews see Hoang and Antoncic, 2003; Hoang and Yi, 2015), we argue that social and business networks positively moderate the relationship between PIS and EP making this relationship stronger for OMEs with more robust networks.

[2] https://www.gemconsortium.org/economy-profiles/ghana, last accessed on 12 April 2019

Insert Figure 1 here

Institutions, cognition and entrepreneurial persistence

The extant entrepreneurship literature emphasises the influence of local external environments on entrepreneurial activities highlighting region-specific factors and external enablers. Studies focusing on region-specific factors cover a wide array of topics such as clusters (Martin and Sunley, 2011), national innovation systems (Lundvall, 2010) and entrepreneurial ecosystems (Audretsch and Belitski, 2017). In general, these studies investigate how the structure and workings of specific geographic regions provide a fertile environment for entrepreneurial activities. The influence of external enablers/disablers on entrepreneurial activities (Bennett, 2019; Davidsson, 2015) has also been noted. In particular, Davidsson, Recker, and von Briel (2018) elucidate how the impact of external enablers (e.g., crowdfunding, country-specific regulation) varies across industry sectors and geographic regions. While the focus on specific external factors and entrepreneurial agency varies across different conceptualisations (Brown and Mason, 2017; Davidsson et al., 2018), a critical component of the external environment—institutions— undeniably influences entrepreneurial activities (Boettke and Coyne, 2009). Indeed, a multitude of studies show institutions influence firm strategies (Meyer, Estrin, Bhaumik, and Peng, 2009; Oliver, 1991) and firm performance (Baum and Oliver, 1991; Powell, 1988).

Although there is no single, consensual definition of institutions (Scott, 1995), it is generally accepted that institutions frame the "rules of the game in a society" (North, 1990: 3). Well-developed institutions provide a stable environment for firms to operate in, enabling them to access necessary resources and efficiently conduct their business activities. These institutions could be formal institutions such as those representing a legal framework or informal institutions such as those characterised by a code of conduct (North, 1990). The prevailing institutional environment enables or constrains entrepreneurial activities in a specific location (Boettke and Coyne, 2009; Minniti, 2008). Formal institutions such as state laws and the capital market can reduce uncertainty related to business creation and operation enabling firms to access critical financial resources. Similarly, informal institutions may establish norms and a code of conduct between a firm and its stakeholders (e.g., suppliers, distributors). Thus, well-established

institutions provide supportive environments for entrepreneurs and promote entrepreneurial activities. Conversely, poorly developed institutions discourage entrepreneurs and adversely affect entrepreneurial activities (Baumol, 1993; Welter and Smallbone, 2011). Factors such as perceived corruption signal a weak institutional environment, lowering entrepreneurial activities (Aidis et al., 2008). However, the effect of external factors on entrepreneurial activities is still unclear. For instance, prior research indicates that gross domestic product negatively affects entrepreneurial activities of both OMEs and NMEs, whereas labour freedom positively affects the entrepreneurial activities of OMEs and NMEs (McMullen et al., 2008). Furthermore, other indicators of economic freedom (e.g., property rights, monetary freedom) have contrasting impacts on OME and NME entrepreneurial activities both positive, and negative. The impact of the external environment on entrepreneurial activities appears to be contingent on the individual- and firm-specific factors (Davidsson and Gordon, 2016; Welter and Smallbone, 2011). While the influence of institutions on entrepreneurial cognition and behaviours could vary, entrepreneurs must display entrepreneurial agency to accomplish venture activities (Hallen and Eisenhardt, 2012; Sarasvathy, 2004). OMEs continuously assess the environment in which they operate, make decisions about the venture and take necessary action.

Mediating effect of entrepreneurial persistence

While research has predominantly viewed external factors as either enabling or constraining for entrepreneurial activities, Bennett (2019) argues that external enablers, such as institutional frameworks, can change with time, and such shifts can transform enabling institutions into constraining institutions, and vice versa. This can lead to a change in OME's perceptions of the opportunity they are pursuing. Holland and Garret (2015) state that entrepreneur beliefs in their ability to take advantage of opportunities and gather the necessary resources required to pursue entrepreneurial activities, as well as their confidence in achieving the desired financial and non-financial benefits, influence EP. This suggests that OME's perception of the support (or lack of) from institutions in the local environment will influence their belief of attaining the desired benefits. It is important to note that OME perceptions about the institutional environment will improve after they have spent time operating their ventures in a particular institutional environment. Such active engagement in venture development activities offers a realistic picture of the institutional environment permitting more precise influences on cognition and behaviours

(Holland and Garrett, 2015). OMEs are better positioned to make venture-related decisions after launching and operating their ventures than prior to the launch.

The mental representation of the external environment affects OME perceptions of venture potential and consequently, influences the desire to persist (Hayward, Shepherd, and Griffin, 2006; Steel and König, 2006). A supportive institutional context provides a fertile context to engage in opportunity exploitation, increasing OME estimates of achieving the desired outcome; so again, they are more likely to persist. While this could lead to hubris (Hmieleski and Baron, 2009), we argue that it is likely to be tempered for OMEs, as they can pursue other opportunities in supportive institutional environments instead of persisting with their venture activities. Furthermore, OMEs who have been operating for several years acquire knowledge through their prior experience generating a learning advantage (Eesley and Roberts, 2012), informing more astute decisions. This is more likely to be evident in the case of owner-CEOs of small ventures who play an influential role in the operation of their ventures (Ling, Simsek, Lubatkin, and Veiga, 2008) and have committed substantial time, effort and capital to launch and develop the venture. The experience of creating and operating the venture gives them a realistic picture of the institutional environment as well as the chances of seizing the opportunity (Bennett, 2019). This emphasises that subjective beliefs about institutions would more accurately influence OME cognition and behaviours, consistent with the view that institutions are antecedents to entrepreneurial cognition and behaviours (Aragon-Mendoza et al., 2016; Lim et al., 2010).

In the context of developing countries, where institutions are poorly developed (Fainshmidt et al., 2018; Julian and Ofori-Dankwa, 2013) and entrepreneurial spirit is dampened (Aidis et al., 2008), perceptions of higher institutional support reduce the high levels of uncertainty which OMEs experience, improving their assessment of venture potential. In other words, supportive institutions make it possible for OMEs to pursue entrepreneurial activities and be productive when engaging in these activities. The possibility of attaining venture goals propels OMEs to continue pursuing their venture activities and expend effort towards it. Although institutional support creates an environment conducive for undertaking entrepreneurial activities, OMEs need to actively engage in venture activities to seize the opportunity. Research indicates that such actions have a positive impact on small-firm performance (Cardon and Kirk, 2015). In sum, a supportive institutional environment encourages EP, which includes active

engagement and commitment to entrepreneurial activities, and this positively influences SVP. Thus, we state that:

> **H1:** *Entrepreneurial persistence mediates the relationship between perceived institutional support and small venture performance.*

Moderating influence of social and business networks

While a positive perception of the institutional environment can trigger OMEs to act, they need the necessary resources and knowledge to undertake these actions. The important role of networks have been noted in the success of entrepreneurial ventures (Hoang and Antoncic, 2003; Hoang and Yi, 2015). Networks provide access to critical resources such as financial, informational and human resources and other non-economic benefits (e.g., mentoring) which enable entrepreneurs to pursue entrepreneurial activities (Ahsan, Zheng, DeNoble, and Musteen, 2018; St-Jean and Tremblay, 2020). In other words, networks supplement institutional support by providing the necessary resources to undertake entrepreneurial action.

The extant literature broadly highlights two distinct types of networking activities for those pursuing entrepreneurial activities: social ties and business ties. Entrepreneurs frequently leverage social relationships for their venture activities, seeking both affective and functional value from their social ties (Anderson, Jack and Dodd, 2016; Dodd, Jack, and Anderson, 2002). While relying on social ties has certain drawbacks, especially if the entrepreneur's network is dominated by social ties (Khayesi, George, and Antonakis, 2014), these ties also provide valuable human resources at little or no cost and assist in pursuing venture activities. In essence, social ties assist entrepreneurs in creating and sustaining ventures with lower capital and effort (Manolova, Manev, and Gyoshev, 2014). Social ties are likely to motivate OMEs to continue to persist for two reasons. First, they assist with venture activities, enabling OMEs to bootstrap their operations. This might involve the sharing of equipment, facilities and other resources between social ties (Jones and Jayawarna, 2010). Second, the effective support provided by these ties is likely to encourage OMEs to continue to persist as this can boost morale during periods of self-doubt (Newman, Mole, Ucbasaran, Subramanian, and Lockett, 2018; Zheng, Ahsan, and DeNoble, 2020). In other words, social ties can enhance OME confidence as well as provide valuable resources to pursue entrepreneurial activities. Thus, we state that:

H2: *Social networks of OMEs moderate the relationship between perceived institutional support and entrepreneurial persistence, such that the relationship will be stronger for OMEs with strong social network ties than OMEs with weak social network ties.*

Entrepreneurs also engage in networking activities which connect them with others in the market such as suppliers, customers and competitors (Lazzarini, Claro, and Mesquita, 2008; Srinivasan and Brush, 2006). First, such relationships can lead to reciprocal benefits between the focal venture and its business networks. This can lower opportunistic behaviour and increase OME confidence in achieving their objectives. Such relationships are especially useful in poor institutional contexts by reducing uncertainties and overcoming challenges (Welter and Smallbone, 2011). OME connections with industry stakeholders assist in establishing informal institutions and together, these institutions help in enforcing norms and codes of conduct between the network ties to facilitate entrepreneurial activities. Firms which violate these informal institutions can be removed from the network and may suffer considerable loss if they engage in opportunistic behaviours (Lau and Bruton, 2011). Second, business networks can provide OMEs with particular knowledge and resources not readily available in the market (Shane and Cable, 2002; O'Donnell, 2014). Connections with such stakeholders can give entrepreneurs privileged access to information and resources so, enabling them to undertake venture-related activities. Simply put, business networks not only help in establishing norms to facilitate entrepreneurial activities but also provide valuable resources and knowledge to undertake necessary actions. Thus, we posit that:

H3: *Business networks of OMEs moderate the relationship between perceived institutional support and EP, such that the relationship will be stronger for OMEs who extensively leverage their business network than OMEs who minimally utilise their business network.*

Research method

Sample and data collection

We randomly selected 1,500 OMEs from the Ghana Business Directory database (Acquaah, 2007). Our sampling met four criteria: We included only (1) OMEs who had participated in the founding process of their ventures; (2) ventures which were privately owned manufacturers of products (that is, we excluded businesses such as restaurants, retail stores and farm produce).

These ventures were developed by entrepreneurs based on an opportunity they identified and had higher capital requirements; (3) ventures which were founded in 2007 or later. We selected firms aged up to 10 years because we are interested in capturing various developmental stages (Cardon and Kirk, 2015), and as such we label the firms in our sample as "small ventures" and (4) ventures must have employed fewer than 250 employees as of January 2017.

We collected data in two waves with approximately four months between the end of our first survey wave (T1) and the start of the second survey wave (T2). Due to the challenges of collecting data in a developing country (Hoskisson, Eden, Lau, and Wright, 2000), each wave took approximately two months. In the first round, 1,500 OMEs were contacted, in person, with a questionnaire that gathered data on PIS, networking ties (social and business network) and EP. We obtained 509 usable responses from the first wave, representing a 33.93 per cent response rate.

In T2, we approached the finance managers of these 509 firms to gather data on the dependent variable (SVP). Cross-sectional studies typically suffer from common method bias (Podsakoff, MacKenzie, Lee, and Podsakoff, 2003). By collecting data on the dependent variable from finance managers we mitigate this issue in our study. Using the same approach as the first survey, a hand-delivered questionnaire was provided to the finance managers of the 509 firms to capture performance measures. After two follow-up reminders, we received 402 complete responses to the time-lagged performance questions. The 107 firms which did not respond to the second survey had no finance managers. We detected that 29 of the questionnaires had missing values. Hence, we excluded these 29 responses. Thus, we relied on 373 matched responses across Time 1 and Time 2 for the analyses. This represents a 24.86% effective response rate (i.e., [373/1500] x 100).

On average, the firms in the sample were seven years old (SD = 1.17) and employed 45 employees (SD = 11.61). Respondents' average age was 48 years. We assessed non-response bias by comparing early and late respondents. Specifically, we used the Pearson's chi-square test for discrete variables (Greenwood and Nikulin, 1996) and compared the characteristics of our sample, including firm age and firm size as well as OME's age, education and gender. We found no statistical differences between early and late respondents, suggesting that non-response bias does not affect the results of the study (Armstrong and Overton, 1977).

Measures

All measures were adopted from previous studies. Appendix 1 presents the details of the measures used in the current study.

Entrepreneurial persistence. The items measuring the EP construct were taken from Baum and Locke (2004). This construct has been used in extant research (Cardon and Kirk, 2015). Accordingly, we measured EP with five items on a 7-point Likert scale (1 = strongly disagree; 7 = strongly agree).

Perceived institutional support. Institutional support is defined as the opportunities the entrepreneur derives from the environment in terms of the ease of doing business (Turker and Selçuk, 2009). We measured institutional support by using a four-item scale adapted from Turker and Selçuk (2009) on a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree).

Social network. We adopted the social network construct from Shane and Cable (2002). This construct accesses the entrepreneur's social network activities stemming from the utilisation of their social contacts and connections. This study used three items to measure the social network construct by using a Likert scale with anchors 1 (strongly disagree) and 7 (strongly agree).

*Business network***.** We explored the business network construct with three items taken from previous studies (Lau and Bruton, 2011; Yiu, Lau, and Bruton, 2007). These measures assess the entrepreneur's proclivity to network with major market actors including suppliers, customers and competitors (that is, the extent to which they utilised these business networks and connections during the past three years). Each item was measured on a 7-point Likert scale ranging from 1 (not at all) to 7 (to a large extent).

Small venture performance. We focused on market performance and profitability measures as the main dependent variables taken from previous studies (Menguc and Auh, 2008; Sheng, Zhou, and Li, 2011). These indicators capture market share, sales volume and sales growth relative to market objectives. The measures of profitability were derived from existing studies (Li and Atuahene-Gima, 2001; Luk, Yau, Sin, Tse, Chow, and Lee, 2008). The profitability measures include overall profitability, profit margins and return on investment. For both market performance and profitability measures at T2, finance managers were asked to compare their ventures with industry rivals in the last three years. Responses were provided on a

7-point Likert scale with anchors 1 (much worse than competitors) and 7 (much better than competitors).

Control variables. We included firm age, size, industry, prior business growth and OME age, gender, education and entrepreneurial experience as control variables. The firm age variable was calculated as the number of years since the inception of the firm. Firm size was calculated by averaging the number of employees in each venture (Sheng et al., 2011). The industry was measured with a dummy variable, with 0 = high technology industry and 1 = low technology industry (Karami and Tang, 2019). We included one item to account for the variance of prior venture growth by calculating the percentage change in employment between 2015 and 2016 [(2016/2015) – 1.0] (Baum and Locke, 2004).

OME age was measured as the log-transformed age in years of the venture's owner-CEO. Gender was coded 1 (male) or 0 (female). We measured OME education by asking the respondents to indicate their highest educational attainment. This variable was coded as follows: 1 = high school, 2 = higher national diploma, 3 = bachelor's degree, 4 = master's degree and 5 = doctoral degree. OME prior entrepreneurial experience was measured by asking respondents to indicate the number of businesses founded before their current ventures (Hmieleski and Baron, 2009). We used this number because additional learning takes place each time an entrepreneur founds a new business (Zhao, Seibert, and Hills, 2005).

Common method variance, validity and reliability assessment

We utilised several approaches to attenuate potential common method variance in our data. First, following Cote and Buckley (1987), we assumed a conservative single-method bias in confirmatory factor analysis (CFA) to test three alternative hierarchically nested measurement models presented in table 1.

Insert Table 1 here

First, we estimated a method-only model in Model 1, in which all indicators loaded on a single latent factor. Second, we estimated a trait-only model in Model 2, in which each indicator loaded on its respective latent factor. Thirdly, a method–trait model was estimated in Model 3, that established a common factor linking all the indicators in Models 1 and 2. Finally, all three models were compared to establish whether a common method bias affects the data. We found

that Models 2 and 3 are better than Model 1; however, Model 3 is not substantially superior to Model 2. Thus, we concluded that common method bias did not significantly influence the data (Cote and Buckley, 1987).

In our second test for common method variance, we followed Lindell and Whitney's (2001) approach and used a marker variable to tease out potential common method variance. Accordingly, we used "my job allows me the freedom to decide how I do my work", a variable which measures job autonomy, as our marker variable. This variable is theoretically unrelated to our key variables. Here, job autonomy had a non-significant correlation ranging from –.01 to .03 with the main variable of the study. This shows that common method variance may be of less concern with our sample.

Following the assessment of common method variance, we examined the full measurement model in CFA using LISREL 9.30 with the maximum likelihood estimation approach. The CFA results show that composite reliability, discriminant validity and alpha reliability exceeded the minimum threshold values of .60, .50 and .70, respectively (Bagozzi and Yi, 2012). Furthermore, factor loadings for each of our multi-item constructs exceeded the suggested threshold value of .40 (Anderson and Gerbing, 1988), indicating convergent validity. Besides, each average variance extracted (AVE) was larger than the highest shared variances between constructs (Fornell and Larcker, 1981), suggesting discriminant validity.

Insert Table 2 here

Results

We present the descriptive statistics and correlations of all key variables in Table 2. Before embarking on the estimation process, we mean-centred all the continuous variables and inspected the variance inflation factors (VIF) of all the regression models to check whether multicollinearity affected the data. The highest VIF value for the regression models is 3.06 suggesting no indication of multicollinearity in the regression results (Aiken and West, 1991; Barringer and Bluedorn, 1999). We also checked the data for potential problems related to violations of normality and outliers. The results suggest no significant violations. Thus, the data were amenable to test our hypotheses.

To check for the potential existence of endogeneity, we followed the procedure suggested by Wooldridge (2012) by identifying an instrument which explains significant variance in the EP variable but did not account for significant variance in venture performance. Specifically, we found that an entrepreneur's intrinsic interest in entrepreneurship significantly affects their level of persistence ($r = .30$, $p < .01$) but does not directly influence venture performance ($r = .01$, *ns*). The results derived from the instrument test indicated that the instrument has strong explanatory power for the potential endogenous variables. Thus, we used intrinsic interest in entrepreneurship as an instrument for the Durbin–Wu–Hausman test but did not find evidence of endogeneity. We also found that the independent variable remained significant even after including the instrument variable in the regression equation for venture performance. These findings showed that endogeneity is not an issue in our study.

Insert Table 3 here

We utilised the ordinary least square (OLS) regression approach to test our hypotheses. We present the results of the regression analyses in Table 3. Model 1 contains the control variables, and the results suggest that both entrepreneurial experience ($\beta = .20$, $p < .01$) and prior venture growth ($\beta = .17$, $p < .01$) have significant influence on EP. The results in Model 2 and Models 5–12 enable us to test the mediating hypothesis. To test the proposed moderated mediation model, we followed the classic Baron and Kenny (1986) procedure for mediation. This approach has been used in recent studies (Baron and Tang, 2011; Mihalache, Jansen, Van den Bosch, and Volberda, 2014). According to this procedure, first, the independent variable and the mediating variable should be significantly related. The results in Model 2 indicate that the relationship between PIS and EP (mediating variable) is positive and significant ($\beta = .22$, $p < .01$). Second, the mediating variable must significantly relate to the dependent variable(s). The results in Model 7 and Model 11 suggest that EP is positively and significantly related to both market performance ($\beta = .25$, $p < .01$, Model 7) and profitability ($\beta = .28$, $p < .01$, Model 11). Third, when the independent variable and the mediating variable are concurrently added to the regression equation, the mediating variable should account for a significant variation in the dependent variable, and the influence of the independent variable on the dependent variable should be significantly reduced or eliminated. In Model 8 and Model 12, when both PIS and EP are included in the regression equation, EP has

a positive influence on both market performance (β = .25, $p < .01$, Model 8) and profitability (β = .29, $p < .01$, Model 12). At the same time, the effect of PIS on both market performance (β = .04, *ns*) and profitability (β = .03, *ns*) becomes non-significant. Together these results provide support for Hypothesis 1.

The results also show that when both social and business network ties are included in Model 3, the influence of PIS on EP is still significant (β = .24, $p < .01$). In Model 4, we added the interaction terms between PIS and social and business networks. The results indicate positive and significant interaction for social networks (β = .42, $p < .01$) and business networks (β = .39, $p < .01$) suggesting both social and business network ties positively moderate the relationship between PIS and EP. These results provide support for Hypotheses 2 and 3. Also, we followed the approach suggested by Aiken and West (1991) performed a simple slope test. In Figure 2, we show that the relationship between institutional support and EP is positive when OMEs effectively utilise their social network ($t = 2.89$, $p < 0.01$) in comparison to ineffective utilisation of social network ($t = .40$, $p > .10$). This supports Hypothesis 2. Similarly, we show in Figure 3 that the relationship between institutional support and EP is significant when OMEs effectively utilise business networks ($t = 3.13$, $p < .01$) when compared to low utilisation of business network (t = .39, $p > .10$). This supports Hypothesis 3.

Insert Figure 2 here

Insert Figure 3 here

Robustness analyses

We ran two additional tests to establish the robustness of our regression results. First, to gain additional insight into how the results differ in terms of social and business networks, we performed a PROCESS analysis (Hayes, 2013) to establish the mediation influence when the moderating effects of social and business networks are added. Accordingly, a bootstrapping approach was employed to quantify the indirect effects at low (–1SD), mean and high (+1SD) levels of social and business networks. For the sake of brevity, we present only the conditional indirect effects of PIS at different values of social networking and 99 per cent confidence intervals for these effects in Table 4.

Insert Table 4 here

The results in Table 4 indicate that none of the confidence intervals contained zero. This suggests that the indirect effects are significant ($p < .01$) at low, mean and high values of the moderator. Moreover, consistent with Hypothesis 3, the indirect effect of PIS on market performance is stronger at high rather than low levels of social networks as the coefficient grows from .38 (low social networks) to .93 (high social networks). Besides, the results in Table 4 show that the indirect effect of PIS on market performance via EP grows from 1.21 for ventures with low social networks to 1.91 for ventures with high social networks. Similar results were obtained when business network was used as a moderator.

Insert Table 5 here

Second, we used employment growth data (2014–2016) gathered from finance managers of the firms in our sample to retest our hypotheses (N = 157). Finance managers were asked in the survey to record the level of employment growth in their firms during 2014–2016. Using these data and following previous studies (Robson and Obeng, 2008), we included an annualised growth rate for employment in the OLS regression. The results of the OLS regression models using employment growth are consistent with our initial findings (Table 5). Specifically, the results indicate that PIS is positively related to EP (mediator) ($\beta = .18$, $p < .01$) and EP is positively related to employment growth ($\beta = .33$, $p < .01$). Also, the effect of PIS on employment growth is non-significant when EP is added ($\beta = .05$, *ns*). This result suggests that EP mediates the PIS and employment growth relationship. These results confirm Hypothesis 1. In Model 4, the results indicate that the coefficient of the interaction between institutional support and social network ($\beta = .43$, $p < .01$) and business network ($\beta = .49$, $p < .01$) has a significant effect on EP. Thus, we confirmed both Hypotheses 2 and 3.

Discussion and implications

We build on prior research which related EP to desire to overcome adversity (Holland and Shepherd, 2013) and personal and environmental constraints (DeTienne et al., 2008; Holland and

Garrett, 2015) to examine how PIS influences EP and consequently affects SVP. In particular, we relate EP to the agency which OMEs display to navigate the challenges of difficult conditions and position their venture for success. We also examine the moderating effects of social and business networks on the PIS–EP relationship. Our findings indicate a positive relationship between PIS and EP. We also find that EP mediates the relationship between PIS and SVP. This suggests that when OMEs in developing countries perceive institutions as supportive, this encourages EP, and it in turn positively impacts SVP. The relationship between PIS and EP is boosted when OMEs have strong social networks and extensively leverage their business networks. In sum, our study provides useful insights on how subjective beliefs of their institutional environment influences OMEs' EP and consequently impacts upon SVP.

Theoretical implications

Our findings make several contributions to the entrepreneurship literature, specifically to the literature examining the influence of institutions on entrepreneurial activities as well as the literature on EP. First, our study examines the mediating effects of EP on the relationship between PIS and venture performance. The SME literature has predominantly focused on factors such as innovation and internationalisation to understand SME performance (Love and Roper, 2015; Musteen and Ahsan, 2013). Few studies have broadly discussed the influence of EP on venture outcomes (Baum and Locke, 2004; Hechavarria, Renko, and Matthews, 2012); limited evidence exists on its effect on SVP. Our findings indicate that OME perceptions of the support they receive from institutions in the local environment influences their EP. This insight, to some extent, helps in better understanding the lack of relationship between macroeconomic crisis and venture-creation activities (Davidsson and Gordon, 2016) and the differential impact of economic freedom indicators (e.g., property rights, monetary freedom) on OMEs and NMEs (McMullen et al., 2008). While context matters, our findings indicate that the perceptions of the institutional context likely have a stronger influence on entrepreneurial cognition and behaviours. In particular, OMEs who have the experience of operating ventures in a weak institutional context will likely have a better understanding of that context than those with little prior experience, and this is more likely to drive their behaviours.

Further, our study sheds light on the relationship between EP and venture performance. While there has been some analysis of the impact of external factors, such as microeconomic

conditions, economic freedom and physical infrastructure on nascent entrepreneurial activities (Bennett, 2019; McMullen et al., 2008), relatively less attention has been afforded to examining the influence of PIS on behaviours of OMEs, such as EP. Our findings address some of the shortcomings in the literature and enhance our understanding of this issue within a firm context in which the OMEs play an influential role (Ling et al., 2008) as well as complement prior studies which have broadly suggested that EP has a positive impact on firm outcomes (Baum and Locke, 2004; Hechavarria et al., 2012). Further, our study goes beyond the existing literature, which has predominantly utilised conjoint experiments to investigate EP (Holland and Shepherd, 2013; Holland and Garrett, 2015). We suggest that EP is the mechanism through which PIS drives venture performance. By highlighting the impact of EP in this relationship, we emphasise the role the entrepreneurs play in assessing and navigating institutional environments to position their ventures for success.

Second, the insights from our study indicate that OME social and business networks affect EP. While the impact of the external environment on entrepreneurial activities has been noted (Boettke and Coyne, 2009; Welter and Lasch, 2008), less attention has been afforded to the factors which shield firms against adverse external conditions. In particular, findings indicate that networks provide entrepreneurs with the necessary resources to undertake the entrepreneurial actions needed to achieve their goals (Anderson et al., 2016; Zheng et al., 2020). Indeed, entrepreneurial networks can enable the performance of entrepreneurial firms (Stam and Elfring, 2008). However, we lack an understanding of whether networks enable entrepreneurs to persist with their entrepreneurial activities. Our results, including the graphical representation in Figures 2 and 3, indicate the important role social and business networks play in influencing EP. In particular, OMEs tend to display higher EP when they perceive higher institutional support and actively utilise social and business networks. Thus, this article provides a finer understanding of the nexus linking PIS, EP and entrepreneurial networks.

Third, by undertaking the study in a developing country, a context which has a weak institutional structure (Fainshmidt et al., 2018; Julian and Ofori-Dankwa, 2013), we provide evidence from a real-world setting on how OME perceptions of institutional support influences EP. The Ghanaian context is significantly different from developed countries in terms of financial, economic and infrastructure development (Fainshmidt et al., 2018; Julian and Ofori-Dankwa, 2013). Further, to achieve the goal of raising the country's economic condition by

2020, the government of Ghana introduced initiatives to reward firms based on their financial performance (Julian and Ofori-Dankwa, 2013). This suggests that our dependent variable, SVP, is appropriate for our study context. It is also important to note here that our choice of using PIS, a subjective assessment of institutional support, is appropriate for our study context because such contexts typically lack institutions which provide objective data (e.g., customer data) and other assistance to business owners. Our findings corroborate studies which have examined the influence of the external environment on entrepreneurial behaviours and cognitions (Lim et al., 2010), and complement studies which have utilised an experimental research design to investigate the influence of external environment on EP (DeTienne et al., 2008). We also extend the generalisability of these entrepreneurship theories and findings through our study setting. Specifically, by examining OMEs in Ghana our study contributes to understanding entrepreneurship in an emerging context, which is starkly different from developed countries such as the US, UK and Canada.

Practical implications

This article offers valuable insights for OMEs. First, our findings suggest that entrepreneurial agency plays an important role in influencing SVP. Those OMEs who persist in conditions they perceive as supportive are likely to attain better performance. Second, OMEs who can develop and leverage social and business networks are more likely to achieve higher performance. Such OMEs may access resources and have privileged connections that can help to navigate challenging environments. Third, while objective data about institutional support may be useful, entrepreneurial behaviours are more likely influenced by the subjective beliefs of OMEs regarding the institutional environment particularly after they gain experience in that context. Policymakers and organisations supporting SMEs are better able to promote entrepreneurship by developing programmes to educate OMEs regarding available institutional support.

Limitations and future research

Despite the unique provided within this study, there are limitations which could be addressed through future research. Although we collected data in two waves (Time 1 and Time 2) to better understand the relationships among PIS, EP and SVP, we do not know to what extent this is affected by OME growth aspiration. By collecting information on growth aspiration, risk

propensity and other related variables (Ma, Mattingly, Kushev, Ahuja, and Manikas, 2019), future research could provide a deeper understanding of the dynamics among PIS, EP and SVP. While we utilise employment growth data (2014–2016) in our robustness analysis, the dependent variable we use is the subjective assessment of firm performance. Future studies could enhance our findings by utilising objective performance measures where possible. Moreover, we focuses on ventures beyond the initial stages of development, which limits our ability to fully investigate the temporal evolution of PIS and EP from the early life-cycle stage of the firm to a later stage. Future research can extend the findings of our study by conducting a longitudinal analysis of early-stage ventures and contrasting those findings with a longitudinal study of late-stage ventures. Indeed, Klyver, Honig, and Steffens (2018) find that emotional support is more useful when it is received at earlier stages of venture development than later during the venture emergence process. Finally, we did not explicitly examine the motives of entrepreneurs for forming the social and business network ties and the specific resources gained from these ties. Future research could examine variables such as networking motives and networking actions (Engel, Kaandorp, and Elfring, 2017; Klyver, Schenkel, and Nielsen, 2020). Relatedly, prior research has suggested that entrepreneurial networks condition opportunity recognition and realisation (Jack and Anderson, 2002) which could influence EP. Researchers can add to our study by examining the relationship between entrepreneurial networks and PIS over time, and consequently its impact on EP and SVP.

Conclusion

This article extends prior literature by examining the influence of perceived institutional support (PIS) on small venture performance (SVP) mediated by entrepreneurial persistence (EP). Our evidence highlight the critical role EP plays in mediating the relationship between PIS and SVP illustrating that perceptions of OMEs affect their behaviours, which in turn influences venture outcomes. Furthermore, we demonstrate that the relationship between PIS and EP is moderated by the social and business networks developed by OMEs; this suggests that social and business ties provide valuable resources and support needed to persist with entrepreneurial actions. We hope that the insights in this article motivate researchers to analyse the influence of an entrepreneur's perception of the prevailing context upon their cognition and behaviour.

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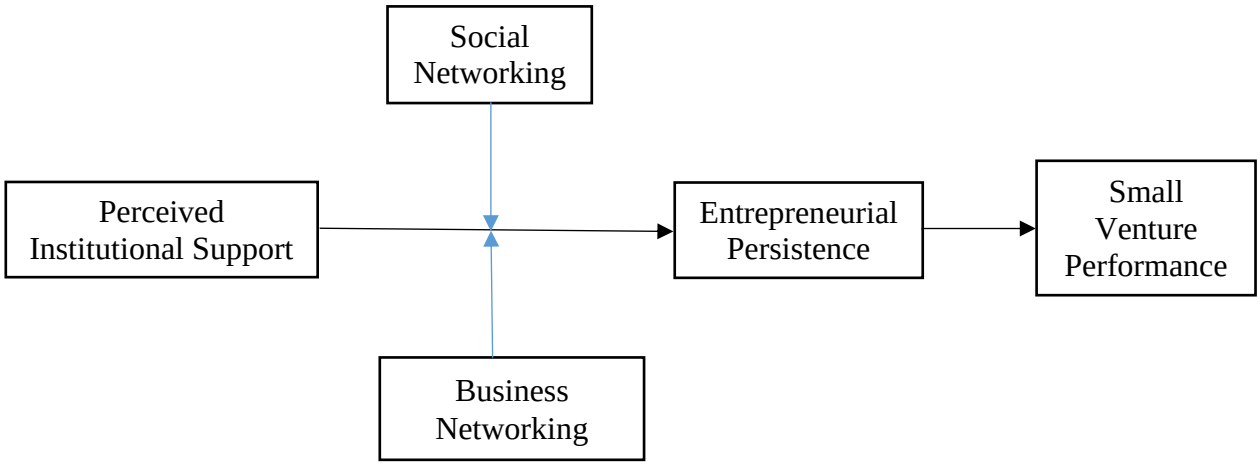

Figure 1. Mediating–Moderating Model of Perceived Institutional Support and Small Venture Performance

Table 1. Common Method Bias Nested Models and Goodness-of-Fit Statistics

Model	χ^2	df	χ^2/df	RMSEA	CFI	NNFI	AGFI
M1: Method	1408.05***	955	1.14	.08	.40	.29	.62
M2: Trait	1325.46***	534	2.48	.04	.94	.92	.91
M3: Trait-method	1305.22***	489	2.67	.05	.97	.95	.96

*** $p < .001$. df = degrees of freedom; RMSEA = root mean square error of approximation; CFI = comparative fit index; NNFI = non-normed fit index; AGFI = adjusted goodness of fit index.

Table 2. Descriptive Statistics and Correlations

	Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1.	Firm size	45.07	11.61														
2.	Firm age	7.55	1.17	-.01													
3.	OMEs' age	48.18	10.24	-.04	-.11												
4.	Education	2.27	1.14	.00	.07	.09											
5.	Gender	.82	.41	.02	.01	.08	.06										
6.	Prior venture growth	.08	.16	-.04	-.03	-.09	.12	.11									
7.	Industry	.43	.49	.06	.05	.00	.08	.01	.06								
8.	Entrepreneurial experience	.96	1.33	.03	.08	.25**	.05	.02	.14*	.02							
9.	Social network	4.46	.95	.08	-.10	.37**	.38**	.14*	.11	.05	.22**						
10.	Business network	3.61	1.40	.14*	-.03	.18*	.15*	.08*	.06	.06	.18*	.05					
11.	Perceived institutional support	3.41	1.43	-.05	.05	.02	.03	.03	.18*	.12	.07	.16*	.18*				
12.	Entrepreneurial persistence	5.22	.85	-.09	-.08	.11	-.14*	.07	.23**	.07	.19**	.14*	.09	.31**			
13.	Market performance	4.56	1.34	-.05	-.04	-.07	.05	.11	.17*	.15*	.22**	.28**	.15*	.22**	.21**		
14.	Profitability	4.86	1.11	-.08	-.05	-.03	.09	.14*	.19**	.13	.27**	.32**	.13	.29**	.31**	.37**	
15.	Employment growth	7.36	12.85	-.05	-.09	-.04	.01	.03	.21**	.08	.17*	.12	.09	.22**	.28**	.39**	.28**

N = 373; *p < 0.05; **p < 0.01 (2-tailed test); S.D. = Standard Deviation.

Table 3: Regression Results of Small Venture Performance (N = 373)

	Models 1–4: Entrepreneurial Persistence				**Models 5–8: Market Performance**				**Models 9–12: Profitability**			
Control variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Firm size (employees)	-.05	-.05	-.05	-.05	-.03	-.04	-.04	-.05	-.05	-.05	-.05	-.05
Firm age (years)	-.09*	-.09*	-.11*	-.10*	-.04	-.04	-.04	-.05	-.05	-.06	-.06	-.06
Industry	.10*	.10*	.11*	.11*	.14**	.14**	.14**	.14**	-.09*	-.10*	-.11*	-.11*
Prior venture growth	.17***	.17***	.19***	.20***	.17***	.18***	.18***	.19***	.22***	.22***	.23***	.23***
OMEs' age	.02	.02	.03	.04	-.09*	-.10*	-.11*	-.12*	-.03	-.04	-.05	-.05
Education	-.12*	-.12*	-.13**	-.13**	.04	.04	.05	.05	.06	.07*	.08*	.08*
Gender	.10*	.10*	.11*	.11*	.09*	.09*	.10*	.11*	.12*	.13**	.13**	.13**
Entrepreneurial experience	.20***	.22***	.23***	.23***	.23***	.22***	.23***	.24***	.25***	.26***	.26***	.27***
Independent variable												
Perceived institutional support (PIS)		.22***	.24***	.23***	.19***	.19***	.20***	.04	.24***	.25***	.26***	.03
Moderators												
Social network (SN)			.13**	.14**		.17***	.18***	.19***		.23***	.24***	.24***
Business network (BN)			.12*	.12*		.14**	.14**	.14**		.16***	.17***	.18***
Interactions												
PIS * SN				.42***								
PIS * BN				.39***								
Mediator												
Entrepreneurial persistence							.25***	.25***			.28***	.29***
Model fit statistics												
F-value	1.38	3.93***	5.26***	7.03***	2.72**	3.69***	5.48***	4.88***	2.88**	3.99***	4.96***	3.89***
R^2	.12	.16	.24	.31	.14	.19	.25	.32	.13	.18	.26	.35
ΔR^2	-	.04	.08	.07	-	.05	.07	.06	-	.05	.08	.09
Largest VIF	3.06	2.11	1.40	1.74	1.72	2.32	1.53	2.22	1.47	2.22	1.19	1.32

* $p < .10$.; ** $p < .05$; *** $p < .01$; standardized coefficients are shown.

Table 4. Conditional Indirect Effect(s) of PIS on Market Performance at Values of Social Networking[1]

			99% Confidence interval	
Mediating variable	Social network	Effect	Lower-level CI	Upper-level CI
Entrepreneurial persistence	−.88 (−1SD)	.38 (.24)	.04	1.21
Entrepreneurial persistence	0 (Mean)	.67 (.28)	.25	1.49
Entrepreneurial persistence	.88 (+1SD)	.93 (.36)	.36	1.91

Bootstrapping standard errors in parenthesis. [1]The conditional indirect effect of PIS on profitability at values of social networking follows the same pattern as above.

Figure 2. Interaction Effect of PIS with Social Network on EP

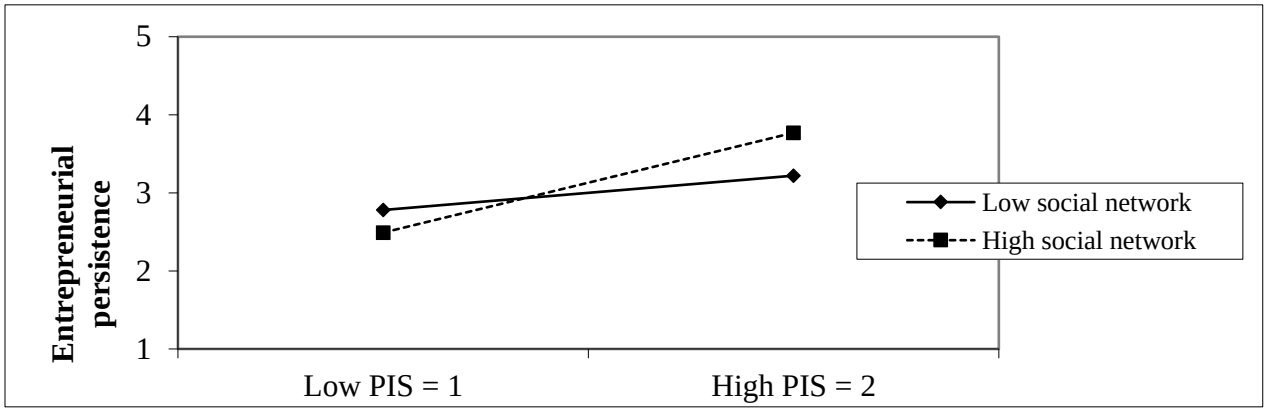

Figure 3. Interaction Effect of PIS with Business Network on EP

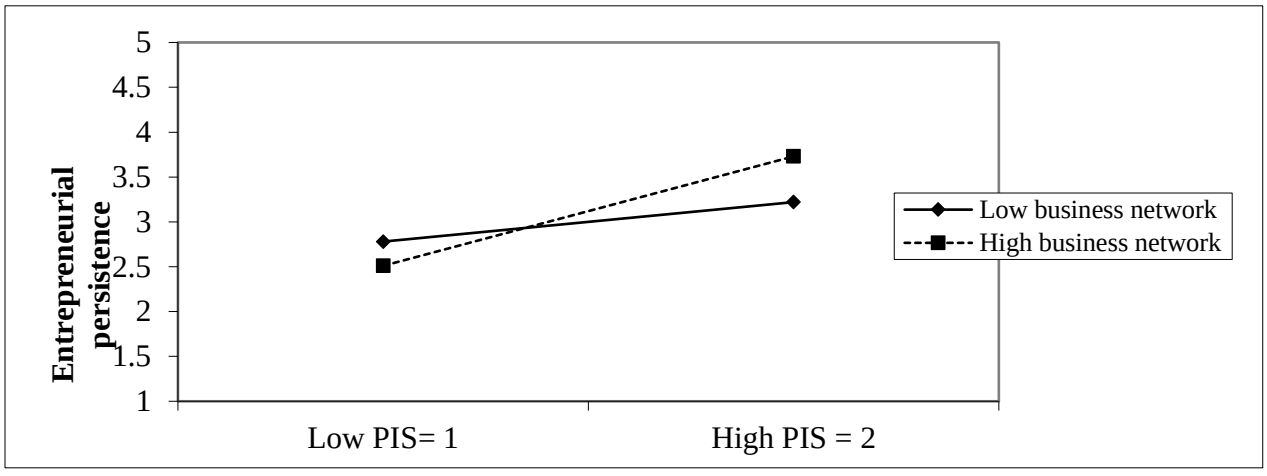

Table 5: Regression Results of Employment Growth (N = 157)

	Models 1–4: Entrepreneurial Persistence				**Models 5–8: Employment Growth**			
Control variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Firm size (employees)	-.02	-.03	-.03	-.03	-.06	-.05	-.06	-.05
Firm age (years)	-.11*	-.11*	-.13**	-.13**	-.11*	-.11*	.11*	.05
Industry	.13**	.14**	.14**	.13**	.14**	.14**	.14**	.15***
Prior venture growth	.14**	.14**	.13**	.14**	.26***	.27***	.28***	.19***
OMEs' age	.10*	.11*	.12*	.12*	-.04	-.05	-.05	-.05
Education	.07*	.08*	.10*	.10*	.01	.01	.03	.04
Gender	.12*	.12*	.13**	.11*	.03	.03	.04	.04
Entrepreneurial experience	.25***	.27***	.27***	.23***	.19***	.20***	.21***	.22***
Independent variable								
Perceived institutional support (PIS)		.18***	.20***	.25***	.29***	.31***	.32***	.05
Moderators								
Social networking (SN)			.19***	.21***		25.***	.26***	.26***
Business networking (BN)			.21***	.22***		.22***	.24***	.24***
Interactions								
PIS * SN				.43***				
PIS * BN				.49***				
Mediator								
Entrepreneurial persistence							.33***	.34***
Model fit statistics								
F-value	2.52**	4.71***	4.92***	5.63***	2.48**	4.46***	4.51***	3.21***
R^2	.13	.18	.22	.29	.11	.15	.22	.31
ΔR^2	-	.05	.04	.07	-	.04	.07	.09
Largest VIF	1.16	1.90	1.59	1.33	3.01	1.12	1.18	1.46

* $p < .10$.; ** $p < .05$; *** $p < .01$; standardized coefficients are shown.

Appendix 1. Constructs, Items, Reliability and Validity Tests

Item Description	Loadings (t-values)
Entrepreneurial persistence**:** α = .84; CR = .85; AVE = .63	
I can think of many times when I persisted with work when others quit.	.74(1.00)
I continue to work hard on projects even when others oppose me.	.77(11.64)
I work harder than most people I know.	.90(13.32)
No matter how challenging my work is, I will not give up.	.82(12.22)
I frequently have to tear myself away from my work to satisfy other obligations.	.78(11.66)
Social network: α = .95; CR = .96; AVE = .62	
I can obtain information about my industry from my network of contacts faster than competitors can obtain the same information.	.94(1.00)
I have a professional relationship with someone influential in my industry.	.95(24.56)
I have engaged with someone influential in my industry in informal social activity (e.g., playing tennis).	.84(17.65)
Business network OMEs utilised in last three years: α = .93; CR = .95; AVE = .71	
Customers	.79(1.00)
Suppliers	.95(24.78)
Competitors	.78(15.20)
Perceived institutional support: α = .85; CR = .87; AVE = .54	
In Ghana, entrepreneurs are encouraged and supported by public and non-governmental institutions (e.g., district and municipal assemblies, trade associations).	.89(1.00)
Ghanaian economy provides many opportunities for entrepreneurs.	.85(13.49)
Taking bank loans is quite difficult for entrepreneurs in Ghana (*).	.86(13.88)
Ghanaian state laws (rules and regulations) are adverse to running a business (*).	.78(12.34)
Profitability: α = .87; CR = .88; AVE = .68	
Finance managers' evaluation of company overall profitability	.73(1.00)
Finance managers' evaluation of company profit margins	.90(12.40)
Finance managers' evaluation of company return on investment	.72(8.23)
Market performance: α = .88; CR = .89; AVE = .69	
Finance managers' evaluation of overall market share relative to target market objective	.88(14.27)
Finance managers' evaluation of sales volumes relative to target market objective	.92(25.88)
Finance managers' evaluation of sales growth relative to target market objective	.80(10.53)

*Items marked with an asterisk are reversed